

# Financial Status Report

*Prepared by the Finance Department*



June 30, 2009

This report summarizes the City of Carlsbad's General Fund revenues and expenditures through June 30, 2009. It compares revenues and expenditures for Fiscal Year 2008-09 and Fiscal Year 2007-08. In addition, the financial status of the Water and Wastewater Enterprises and the Village Project Area of the Redevelopment Agency are included. This report is for internal use only. The figures presented here are unaudited and have not been prepared in accordance with Generally Accepted Accounting Principles (GAAP).

## GENERAL FUND BALANCE

The books have been closed for the fiscal year, and the audit is underway. Interest income is shown on an amortized cost basis, and will be adjusted to market value as required under GAAP for presentation in the Comprehensive Annual Financial Report (CAFR). Revenues totaled \$115.9 million, which was \$883,000 below recent projections. Expenditures and encumbrances at \$118.9 million were \$19.3 million below the budget for the year. Due to the City of Carlsbad's fiscal discipline, as reflected in the chart below, the General Fund's unreserved fund balance is projected to grow by \$1.6 million for the year, for a total of just under \$48 million.

## TOP GENERAL FUND REVENUES



### Property Taxes (\$50.4 million) –

Property taxes reflected a 7% increase over

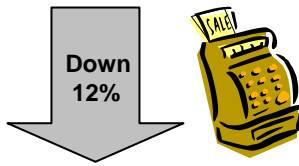
Fiscal Year 2007-08. The majority of this increase in property taxes was from a 7.6% increase in assessed values in Carlsbad for the fiscal year. This was the lowest growth percentage in assessed values that the City has seen in the past six fiscal years. This reflected the continuing countywide slow down in property valuation, but it should be noted that the City of Carlsbad still had the third largest increase year over year of any city in San Diego County.

<b>GENERAL FUND FISCAL YEAR 2008-09 UNRESERVED - UNDESIGNATED FUND BALANCE (unaudited)</b>	
	<b>Actual on a Budgetary Basis</b>
Unreserved-Undesignated Fund Balance 7/1/2008	\$46,059,403
Revenues/Transfers In*	115,895,705
Expenditures/Encumbrances/Transfers Out	(118,926,911)
Other Changes in Reserves and Designations**	4,613,879
Unreserved-Undesignated Fund Balance 6/30/2009	\$47,642,076
* Interest income is shown on an amortized basis, and will be \$630,748 more when adjusted to fair market value as required under GAAP for financial statement reporting.	
** Reserves and designations include advances and other miscellaneous reserves.	

While the 7.6% increase in assessed values for the City reflected the assessed value of all of the taxable property in the City, there were several factors that affected the amount of property taxes received during the year:

- Current taxes were up by 6.5%, indicating that there was an increase in delinquencies during the year.
- Aircraft taxes were up by \$731,000 due to the retroactive change in the method in which aircraft are taxed.
- Payments for previous years' taxes were up by \$436,000 (delinquent taxes).

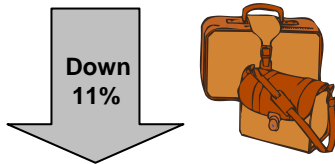
- Supplemental taxes were down by \$734,000 due to the downturn in new home and existing home sales.



**Sales Taxes (\$24.8 million)** – For the fiscal year, sales tax revenues were \$3.2 million (or 12%) lower than the previous fiscal year. The primary factors in the decrease over the prior fiscal year were the result of a 3.6%, 5.1% and 13.3% drop in sales tax revenues during the second, third and fourth calendar quarters of 2008 respectively, a 15.8% drop in sales tax revenues during the first calendar quarter of 2009, an 8% decrease in the triple-flip payments received during the fiscal year, and the State Board of Equalization lowering the monthly advance by 20% for the second calendar quarter of 2009 compared to the same quarter last fiscal year.

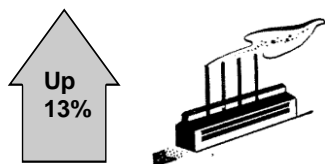
For sales occurring in the first calendar quarter of 2009 (the most recent data available), key gains could be seen in furniture/appliance stores, office equipment, and leasing. During the same period, key declines could be seen in new and used auto sales, service stations, restaurants, and department stores. Excluding one-time payments received as the result of audit findings, payments for previous quarters, etc., actual sales tax transactions were down 11.7% for sales occurring in the 12 months ended March 31, 2009 over the same 12-month period last year.

The largest economic segments in the City continue to be new auto sales, department stores, restaurants, apparel stores, and miscellaneous retail. Together, they generate 64% of the City's sales tax revenues.



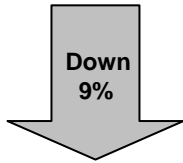
**Transient Occupancy Tax (\$12.8 million)** – Transient Occupancy Taxes (TOT) for the year reflected a decrease of \$1.5 million, 11% less than the previous year. This decrease was due to the softness in the tourism market and the closing of one hotel in January 2008. This decrease was partially offset by the opening of three hotels in the last half of Fiscal Year 2007-08. These hotels added 494 rooms to the City's inventory. Year-to-date TOT figures represent taxes collected on hotel receipts through the month of May 2009.

Currently, there are 3,635 hotel rooms and 819 vacation rentals (timeshares) in the City. The average occupancy of hotel rooms over the most recent twelve months has been 58%.



**Franchise Taxes (\$5.3 million)** – Franchise fees are generated from public utility sources such as San Diego Gas & Electric (SDG&E), trash collection franchises, cell sites, and cable franchises conducting business within City limits. Annual franchise fees were up \$619,000 over the same period last year due primarily to an increase in the annual SDG&E payment.

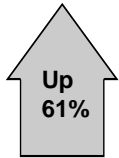
SDG&E pays franchise taxes for the use of public land over which they transport gas and electric services. In addition, SDG&E also pays an "in-lieu" franchise tax based on the value of gas and electricity transported through SDG&E lines, but purchased from another source. The majority of "in-lieu" taxes collected is from Cabrillo Power, the operator of the Encina Plant. This "in-lieu" tax was put in place to capture the franchise taxes on gas and electricity that is transported using public lands, but which would not otherwise be included in the calculations for franchise taxes. The franchise taxes paid by SDG&E were up in total by 25%. Net electricity sales decreased by 1%, while gas sales increased by 4%. The "in-lieu" taxes were up by 62% for the year. The increase in "in-lieu" taxes was a reflection of the amount of utilities transported through SDG&E lines but not purchased from SDG&E, as well as a spike in the price of natural gas that occurred during the summer of 2008.



**Income from Investments and Property (\$3.7 million)** – For the fiscal year, income from investments and property was down \$378,000 compared to the previous fiscal year. This was due to a combination of a decrease in interest income (down 16%) and an increase in the rental of City-owned property (up 19%).

Interest income was down for the year due to the net effects of a 1.4% increase in the average daily cash balance combined with a 16.3% decrease in the average yield on the portfolio for the fiscal year.

Income from property rentals and sales were up compared to the previous fiscal year primarily due to additional facility rentals at Harding, Carrillo Ranch, the Library Learning Center, the municipal pool and the Senior Center.



**Interdepartmental Charges (\$3.7 million)** – Interdepartmental charges were \$1.4 million, or 61% higher than last year. These charges were generated through engineering services charged to capital projects (up 121%), reimbursed work from other funds (up 41%) and miscellaneous interdepartmental expenses charged to funds outside the General Fund for services performed by departments within the General Fund (up 47%). The City hired a consultant to review the services provided by the General Fund to funds outside of the General Fund to ensure that these funds were paying the correct amount for the services that they receive. These calculations were reflected in the increase in miscellaneous interdepartmental revenues. In addition, the City's engineers were spending more time in the fiscal year on municipal projects, as reflected in the increase in engineering services revenues.



**Business License Tax (\$3.4 million)** – Business license revenues have increased by \$94,000 compared to Fiscal Year 2008. 65% of this variance was from license renewals of established businesses, with the remaining 35% coming from an increase in newly licensed businesses.

There are currently 8,560 licensed businesses operating within the City, four more than this time last year. The majority of taxed businesses (6,020 businesses) are located in Carlsbad, with 2,593 of these businesses home-based.



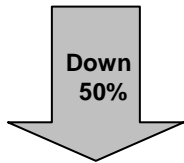
**Ambulance Fees (\$2.1 million)** – The City bills any individual who is transported in one of the City's ambulances. For the fiscal year, receipts from ambulance fees were up 5% or \$100,000 higher than last fiscal year. In June 2008, the City transitioned their ambulance billing services to a new local company to enhance billing customer service. Although the number of

transported patients that were billed in Fiscal Year 2008-09 (3,966) versus Fiscal Year 2007-08 (3,918) was up only slightly, significant adjustments were made to the City's outstanding receivables in the later part of last fiscal year, during the transition to the new billing company. These one-time write offs lowered net ambulance fee revenues in the prior fiscal year, contributing to the positive variance in the current fiscal year.



**Recreation Fees (\$1.8 million)** – Recreation fees are generated through instructional classes, youth and adult sports, the triathlon, and other special events, day trips, various aquatic programs, and lagoon permits. Year-to-date recreation fee revenue was \$74,000 higher than the previous fiscal year. The largest factors in this year's increase were increased participation in the various

aquatic programs, youth and adult sports, day camps, instructional classes and the preschool program. These increases were partially offset by lower senior trips/classes and special event revenues.

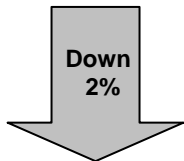


**Development-Related Revenues (\$1.8 million)** – Development-related revenues, which include building permits, planning fees, building department fees, and engineering fees, reflected a 50% decrease for the year. Due to the downturn in the construction industry, it was anticipated that development-related revenues would see a decrease of 48% as compared to the previous fiscal year by the end of Fiscal Year 2008-09.

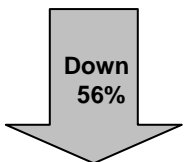
Development related fees are paid by developers to cover the cost of reviewing and monitoring development activities such as plan checks and inspections. One of the largest development-related revenue sources is engineering plan check fees, which is one of the first fees paid during the initial stages of development. Some of the activity in June included residential development at Robertson Ranch.

Another source of development-related revenue is building permits, which were down 45% compared to last fiscal year. The decrease in building permit revenue is derived from the combination of a decrease in the valuation of new construction and a decrease in the number of residential and commercial/industrial building permits issued. The year-to-date valuation of new construction in the current fiscal year was just under \$104.4 million, while it was just over \$230.9 million in the previous fiscal year, a 55% decrease. The pace of construction remained slow in June with permits being issued for ten units. In the Northwest Quadrant, permits were issued for a spec house and three second dwelling units. In the Southeast Quadrant, six single-family residences were permitted as part of Viridian in La Costa Greens. For the fiscal year, 107 residential permits were issued, as compared to 339 permits issued last year.

For the month of June, no permits were issued in the City for new industrial, commercial or office space. For the year, there was a combined 237,935 square feet in commercial/industrial permits issued, as compared to 1,237,300 square feet in Fiscal Year 2008.



**Fines and Forfeitures (\$1.3 million)** – Fines and forfeitures represent fees collected for code violations, parking citations, overdue fines, and returned checks. The City recognizes revenues when the citizen pays the fine or forfeiture, as opposed to when the fine is imposed. A decrease in parking citation revenues led to the overall decrease in fines and forfeitures. The number of parking citations issued during the year decreased considerably (from 6,908 last fiscal year to 6,255 in the current year), as the division has been going through a transition.



**Other Intergovernmental Revenues (\$1.1 million)** – Other intergovernmental revenues include miscellaneous receipts received from the State or Federal governments, as well as local school districts. Included in the \$1.1 million received this year are state library grants, senior nutrition grant funds, reimbursements for Peace Officer Standards and Training (POST) expenses,

State mandated costs reimbursements, state and federal disaster preparedness funds, law enforcement assistance, and reimbursements received from the Federal Highway Administration (FHWA) for the 2005 winter storm damage in the City. A major factor in this year's decrease was the assistance the City received from FHWA (\$657,000 last fiscal year versus \$75,000 this fiscal year) and the Office of Emergency Services (\$754,000 last fiscal year versus \$0 this fiscal year) for the 2005 winter storm damage in the City.

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**EXPENDITURES**

Total General Fund expenditures, encumbrances and transfers out for Fiscal Year 2008-09 equaled 118.9 million. This was \$19.3 million less than the budget of \$138.2 million. These “savings” represent an accumulation of efficiency efforts achieved over the past eight years. Expenditures are shown on a budgetary basis, which means they include all amounts actually spent during the year, plus any money encumbered at the end of the year. A portion of the \$19.3 million unspent money will be carried over to the next fiscal year. These “savings” will be used for one-time projects to improve efficiencies in the City.

Some of the larger factors reflected in the decrease in the actual expenditures on a budgetary basis in the current fiscal year were the result of prior year commitments related to the partial funding of the Joint First Responders Training Facility; the upgrading of the City’s financial information system; the purchase of a fire rescue ambulance and replacement equipment; additional funds transferred to the Infrastructure Replacement Fund for the future major maintenance and replacement of City infrastructure; and the purchase of furniture and equipment for the Senior Center expansion.

During the month of January 2009, due to the economic recession, staff brought forward to Council a proposed expenditure savings plan for Fiscal Year 2008-09. This plan was approved by the City Council on January 27, 2009. Estimated General Fund revenues were reduced by \$4.6 million and \$5.3 million in appropriation reductions in the General Fund were also approved. These adjustments were made so that the City could continue to maintain a balanced budget.

The City Council allocated \$1.3 million of the General Fund budget to be available for unanticipated emergencies or unforeseen program needs. For the year, just under \$435,000 was authorized from the contingency account as shown in the chart on the following page. The remaining contingency amount of \$865,090 will return to the General Fund balance for appropriation by the Council in the future.

CONTINGENCY ACCOUNT USE OF FUNDS			
EXPLANATION	AMOUNT	DATE	RESOLUTION NUMBER
<b>FISCAL YEAR 2008-09 ADOPTED BUDGET</b>	\$1,300,000		
<b>USES:</b>			
Donation to Fraternity House	(6,500)	04/01/2008	2008-092
Art Splash Assistance	(20,000)	06/24/2008	Minutes
"In Kind" Service Assistance for Art Splash	(13,398)	06/24/2008	Minutes
"In Kind" Service Assistance for the 2007 La Costa Canyon Homecoming Parade	(1,564)	09/09/2008	2008-250
"In Kind" Service Assistance for the 2008 Carlsbad High School Homecoming Parade	(3,259)	09/09/2008	2008-251
"In Kind" Service Assistance for the 2008 Carlsbad Christmas Bureau	(1,101)	10/21/2008	2008-292
Proposed Power Plant Expansion Opposition Costs	(250,000)	11/18/2008	Minutes
Donation to Boy Scout Troop 748	(645)	03/24/2009	2009-060
Donation to Fraternity House	(5,000)	04/14/2009	2009-068
Donation to Ivey Ranch	(5,000)	04/14/2009	2009-068
"In Kind" Service Assistance for the Special Olympics Torch Run	(944)	05/05/2009	2009-081
Striping for Angle Parking on a Portion of Grand Avenue	(8,500)	05/12/2009	2009-104
Contribution to the CTBID Endless Summer Marketing Campaign	(100,000)	06/02/2009	2009-131
Winning Teams Grant for the Carlsbad High School Boys Water Polo Team	(19,000)	06/02/2009	2009-132
<b>TOTAL USES</b>	<u>(434,910)</u>		
<b>AVAILABLE BALANCE</b>	<u><b>\$865,090</b></u>		

Detailed schedules of General Fund revenues and expenditures are provided on the following pages.

## GENERAL FUND REVENUE COMPARISON

	ESTIMATED REVENUES 2008-09	ACTUAL REVENUE 2007-08	ACTUAL REVENUE 2008-09	ACTUAL 2008-09 COMPARED TO ACTUAL 2007-08	
				DIFFERENCE	%
<b>TAXES</b>					
PROPERTY TAX	\$50,557,000	\$47,196,622	\$50,438,865	\$3,242,243	6.9%
SALES TAX	26,333,800	28,011,995	24,764,881	(3,247,114)	-11.6%
TRANSIENT TAX	13,496,000	14,277,351	12,752,421	(1,524,930)	-10.7%
FRANCHISE TAX	4,520,000	4,634,049	5,253,418	619,369	13.4%
BUSINESS LICENSE TAX	3,550,000	3,327,814	3,421,605	93,791	2.8%
TRANSFER TAX	483,000	951,141	621,432	(329,709)	-34.7%
<b>TOTAL TAXES</b>	<b>98,939,800</b>	<b>98,398,972</b>	<b>97,252,622</b>	<b>(1,146,350)</b>	<b>-1.2%</b>
<b>INTERGOVERNMENTAL</b>					
VEHICLE LICENSE FEES	150,000	449,733	353,406	(96,327)	-21.4%
HOMEOWNERS EXEMPTIONS	382,000	379,909	375,653	(4,256)	-1.1%
OTHER	972,056	2,505,952	1,092,203	(1,413,749)	-56.4%
<b>TOTAL INTERGOVERNMENTAL</b>	<b>1,504,056</b>	<b>3,335,594</b>	<b>1,821,262</b>	<b>(1,514,332)</b>	<b>-45.4%</b>
<b>LICENSES AND PERMITS</b>					
BUILDING PERMITS	450,000	817,024	450,180	(366,844)	-44.9%
OTHER LICENSES & PERMITS	604,000	1,174,498	572,157	(602,341)	-51.3%
<b>TOTAL LICENSES &amp; PERMITS</b>	<b>1,054,000</b>	<b>1,991,522</b>	<b>1,022,337</b>	<b>(969,185)</b>	<b>-48.7%</b>
<b>CHARGES FOR SERVICES</b>					
PLANNING FEES	385,000	604,161	418,687	(185,474)	-30.7%
BUILDING DEPT. FEES	424,000	637,925	378,731	(259,194)	-40.6%
ENGINEERING FEES	569,000	1,427,304	503,814	(923,490)	-64.7%
AMBULANCE FEES	2,044,000	1,979,926	2,079,718	99,792	5.0%
RECREATION FEES	1,787,000	1,730,236	1,804,080	73,844	4.3%
OTHER CHARGES OR FEES	740,000	1,147,710	996,053	(151,657)	-13.2%
<b>TOTAL CHARGES FOR SERVICES</b>	<b>5,949,000</b>	<b>7,527,262</b>	<b>6,181,083</b>	<b>(1,346,179)</b>	<b>-17.9%</b>
<b>FINES AND FORFEITURES</b>	<b>1,300,000</b>	<b>1,336,293</b>	<b>1,308,090</b>	<b>(28,203)</b>	<b>-2.1%</b>
<b>INCOME FROM INT &amp; PROPERTY</b>	<b>3,506,000</b>	<b>4,094,671</b>	<b>3,716,291</b>	<b>(378,380)</b>	<b>-9.2%</b>
<b>INTERDEPARTMENTAL CHARGES</b>	<b>3,415,000</b>	<b>2,286,527</b>	<b>3,675,858</b>	<b>1,389,331</b>	<b>60.8%</b>
<b>OTHER REVENUE SOURCES</b>	<b>1,048,555</b>	<b>865,181</b>	<b>855,677</b>	<b>(9,504)</b>	<b>-1.1%</b>
<b>TRANSFERS IN</b>	<b>62,485</b>	<b>573,000</b>	<b>62,485</b>	<b>(510,515)</b>	<b>-89.1%</b>
<b>TOTAL GENERAL FUND</b>	<b>116,778,896</b>	<b>120,409,022</b>	<b>115,895,705</b>	<b>(4,513,317)</b>	<b>-3.7%</b>

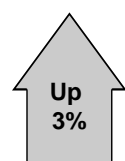
GENERAL FUND EXPENDITURE STATUS BY DEPARTMENT				
		AS OF 06/30/09		
DEPT	DESCRIPTION	TOTAL BUDGET FY 2008-09	ACTUAL ON A BUDGETARY BASIS (b)	UNDER/ (OVER) BUDGET (c)  % UNDER/ (OVER) BUDGET
POLICY/LEADERSHIP GROUP				
	CITY COUNCIL	\$438,022	\$356,217	\$81,805 18.7%
	CITY MANAGER	2,150,933	1,738,817	412,116 19.2%
	COMMUNICATIONS	1,138,793	1,120,364	18,429 1.6%
	CITY CLERK	202,375	131,262	71,113 35.1%
	CITY ATTORNEY	1,374,266	1,288,408	85,858 6.2%
	CITY TREASURER	215,295	185,441	29,854 13.9%
	TOTAL POLICY/LEADERSHIP	5,519,684	4,820,509	699,175 12.7%
ADMINISTRATIVE SERVICES				
	ADMINISTRATION	785,276	718,182	67,094 8.5%
	ENVIRONMENTAL RESOURCES MGMT.	279,481	136,478	143,003 51.2%
	FINANCE	3,605,009	3,450,759	154,250 4.3%
	HUMAN RESOURCES	3,504,034	2,236,294	1,267,740 36.2%
	RECORDS MANAGEMENT	985,663	848,133	137,530 14.0%
	TOTAL ADMINISTRATIVE SERVICES	9,159,463	7,389,846	1,769,617 19.3%
PUBLIC SAFETY				
	POLICE	27,632,024	27,525,783	106,241 0.4%
	FIRE	18,450,440	17,422,970	1,027,470 5.6%
	TOTAL PUBLIC SAFETY	46,082,464	44,948,753	1,133,711 2.5%
COMMUNITY DEVELOPMENT				
	COMMUNITY DEVELOPMENT ADMIN	3,217,560	2,529,613	687,947 21.4%
	HIRING CENTER (c)	88,000	85,669	2,331 2.6%
	GEOGRAPHIC INFORMATION	625,327	608,957	16,370 2.6%
	ECONOMIC DEV/REAL ESTATE MANAGEMENT	425,548	370,552	54,996 12.9%
	PLANNING	4,868,030	4,386,231	481,799 9.9%
	BUILDING	2,406,411	2,097,203	309,208 12.8%
	TOTAL COMMUNITY DEVELOPMENT	11,630,876	10,078,225	1,552,651 13.3%
COMMUNITY SERVICES				
	PARK PLANNING & RECREATION	6,310,963	5,872,712	438,251 6.9%
	SENIOR PROGRAMS	1,101,875	1,004,011	97,864 8.9%
	LIBRARY	10,703,410	10,020,606	682,804 6.4%
	CULTURAL ARTS	950,528	900,757	49,771 5.2%
	TOTAL COMMUNITY SERVICES	19,066,776	17,798,086	1,268,690 6.7%
PUBLIC WORKS				
	PUBLIC WORKS ADMINISTRATION	1,749,421	1,070,834	678,587 38.8%
	ENGINEERING	10,297,055	8,605,778	1,691,277 16.4%
	PARKS	6,195,768	5,979,608	216,160 3.5%
	STREETS & TRAFFIC SIGNALS	4,351,297	4,300,273	51,024 1.2%
	FACILITIES	4,873,963	4,395,379	478,584 9.8%
	TOTAL PUBLIC WORKS	27,467,504	24,351,872	3,115,632 11.3%
NON-DEPARTMENTAL & CONTINGENCY				
	OTHER NON-DEPARTMENTAL (a)	10,488,615	1,585,029	8,903,586 84.9%
	TRANSFERS OUT	7,964,273	7,954,591	9,682 0.1%
	CONTINGENCY	865,090	0	865,090 100.0%
	TOTAL NON-DEPT & CONTINGENCY	19,317,978	9,539,620	9,778,358 50.6%
TOTAL GENERAL FUND		\$138,244,745	\$118,926,911	\$19,317,834 14.0%
(a) Other non-departmental includes technology innovation, property tax administration fees, assessment district administration, citywide litigation expenses, and other items not attributed to a specific department.				
(b) Actual expenditures on a budgetary basis include encumbrances and exclude non-budgeted items.				
(c) These "savings" represent an accumulation of efficiency efforts achieved over the past eight years.				



**WATER ENTERPRISE**

**WATER OPERATIONS FUND**  
**JUNE 30, 2009**

	BUDGET FY 2008-09	YTD 06/30/2008	YTD 06/30/2009	CHANGE FROM YTD 2007-08 TO YTD 2008-09	PERCENT CHANGE
<b>REVENUES</b>					
WATER DELIVERY	25,146,606	19,711,987	20,694,460	982,473	5.0%
MISC. SERVICE CHARGES	246,715	210,348	246,551	36,203	17.2%
PROPERTY TAXES	2,864,531	2,712,504	2,889,602	177,098	6.5%
FINES, FORFEITURES & PENALTIES	326,905	261,638	263,163	1,525	0.6%
OTHER REVENUES	335,863	829,447	360,270	(469,177)	-56.6%
<b>TOTAL OPERATING REVENUE</b>	<b>28,920,620</b>	<b>23,725,924</b>	<b>24,454,046</b>	<b>728,122</b>	<b>3.1%</b>
<b>EXPENSES</b>					
STAFFING	2,922,559	2,989,710	2,847,348	(142,362)	-4.8%
INTERDEPARTMENTAL SERVICES	2,330,414	2,329,350	2,356,993	27,643	1.2%
PURCHASED WATER	14,950,000	12,412,321	13,022,233	609,912	4.9%
MWD/CWA FIXED CHARGES	3,136,598	2,704,669	2,993,864	289,195	10.7%
OUTSIDE SERVICES/MAINTENANCE	853,089	590,245	563,335	(26,910)	-4.6%
DEPRECIATION/REPLACEMENT	3,590,556	3,132,446	3,590,556	458,110	14.6%
CAPITAL OUTLAY	92,501	71,175	25,659	(45,516)	-63.9%
MISCELLANEOUS EXPENSES	1,042,336	883,303	744,672	(138,631)	-15.7%
<b>TOTAL OPERATING EXPENSES</b>	<b>28,918,053</b>	<b>25,113,219</b>	<b>26,144,660</b>	<b>1,031,441</b>	<b>4.1%</b>
<b>OPERATING INCOME/(LOSS)</b>	<b>2,567</b>	<b>(1,387,295)</b>	<b>(1,690,614)</b>	<b>(303,319)</b>	<b>21.9%</b>

**Revenues**

- The increase in water delivery revenues was the result of a combination of an 9.4% decrease in the number of water units sold, an overall 20% increase in water rates charged to our customers (water sales and delivery charges) that went into effect in January 2009, and an additional 2,130 new account fees over the last 12 months. There was a delay in the water rate increase, which amounted to an estimated \$3 million reduction in water delivery revenue for the year.
- The decrease in other revenues was primarily due to reduced interest revenues as a result of the Marbella settlement costs and legal fees paid by the Enterprise in August 2007.

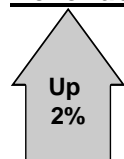
**Expenses**

- Temporary help was used in the prior fiscal year to fill several vacant positions. In addition, 1.1 in full-time equivalent positions were transferred out of the Enterprise during the current fiscal year and management incentive pay was given out in the prior fiscal year.
- The cost to purchase water has two components; a variable and fixed component. The variable component (purchased water expenses) reflected a decrease of 6.2% in the amount of water purchased combined with a 13% purchased water rate increase effective January 2009. The fixed component (MWD/CWA fixed charges) does not change, regardless of the quantity of water purchased. Year-to-date expenses reflected a recent rate increase of 10.7% over the prior year. These rates have been adjusting upward on a semi-annual basis over the past couple of years.
- Increased depreciation expenses reflect recently acquired/constructed water infrastructure assets.

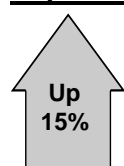
The delay in the water rate increase and a reduction in water sales due to water conservation efforts led to lower operating revenues than originally anticipated. There is a sufficient retained earnings balance to cover this deficit.

**WASTEWATER ENTERPRISE**

<b>WASTEWATER OPERATIONS FUND</b>					
<b>JUNE 30, 2009</b>					
	<b>BUDGET</b>	<b>YTD</b>	<b>YTD</b>	<b>CHANGE FROM</b>	<b>PERCENT</b>
	<b>FY 2008-09</b>	<b>06/30/2008</b>	<b>06/30/2009</b>	<b>YTD 2007-08 TO</b>	<b>CHANGE</b>
				<b>YTD 2008-09</b>	
<b>REVENUES</b>					
CHARGES FOR CURRENT SERVICES	9,331,233	8,077,289	8,456,050	378,761	4.7%
INTEREST	115,767	210,613	103,714	(106,899)	-50.8%
OTHER REVENUES	216,719	336,333	196,618	(139,715)	-41.5%
<b>TOTAL OPERATING REVENUE</b>	<b>9,663,719</b>	<b>8,624,235</b>	<b>8,756,382</b>	<b>132,147</b>	<b>1.5%</b>
<b>EXPENSES</b>					
STAFFING	1,683,729	1,243,619	1,532,467	288,848	23.2%
INTERDEPARTMENTAL SERVICES	1,170,809	1,131,475	1,166,979	35,504	3.1%
ENCINA PLANT SERVICES	3,220,551	3,129,114	3,220,551	91,437	2.9%
OUTSIDE SERVICES/MAINTENANCE	365,006	445,958	345,630	(100,328)	-22.5%
DEPRECIATION/REPLACEMENT	3,950,074	3,331,417	3,950,074	618,657	18.6%
CAPITAL OUTLAY	478,283	56,417	475,404	418,987	742.7%
MISCELLANEOUS EXPENSES	469,506	463,328	612,732	149,404	32.2%
<b>TOTAL OPERATING EXPENSES</b>	<b>11,337,958</b>	<b>9,801,328</b>	<b>11,303,837</b>	<b>1,502,509</b>	<b>15.3%</b>
<b>OPERATING INCOME/LOSS</b>	<b>(1,674,239)</b>	<b>(1,177,093)</b>	<b>(2,547,455)</b>	<b>(1,370,362)</b>	<b>116.4%</b>

**Revenues**

- The increase in charges for current services was primarily the result of an additional 1,874 new residential account fees over the past 12 months, as well as a 9% rate increase that went into effect in January 2009. There was a delay in the wastewater rate increase, which amounted to an estimated \$500,000 reduction in revenue for current services for the year.
- Decreased interest revenue was the result of a 54% lower average daily cash balance combined with a 16.3% decrease in the yield on the portfolio for the year. Lower cash balances were the result of a prior year deficit combined with higher operating expenses in the current fiscal year.
- A change in the method of charging engineering overhead to wastewater projects and one-time revenues received in the prior fiscal year accounted for the reduction in other revenues.

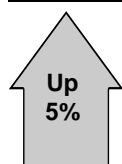
**Expenses**

- Increased staffing costs were the result of filling vacant positions created in the previous fiscal year due to retirements and a few of the new positions related to the Waste Discharge Program that were filled during the year.
- Additional costs in the prior fiscal year related to the implementation of a work order system, the rental of a Vactor truck and costs related to the wastewater rehab at the Agua Hedionda Lagoon led to this year's decrease.
- The replacement of a Vactor truck, a video inspection van and a diesel powered generator accounted for the capital outlay expenses in the current fiscal year.
- A one-time fine for the Buena Vista Lagoon sewer spill accounted for the large increase in miscellaneous expenses.

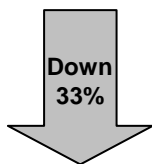
The delay in the wastewater rate increase and a reduction in wastewater charges paid by non-residential customers (non-residential wastewater charges are based on water usage) due to water conservation efforts led to lower operating revenues than originally anticipated. There is a sufficient retained earnings balance to cover this deficit.

**REDEVELOPMENT AGENCY**

<b>CARLSBAD REDEVELOPMENT AGENCY</b> <b>VILLAGE PROJECT AREA</b> <b>OPERATIONS, DEBT SERVICE AND CAPITAL FUNDS</b> <b>JUNE 30, 2009</b>					
	<b>BUDGET FY 2008-09</b>	<b>YTD 06/30/2008</b>	<b>YTD 06/30/2009</b>	<b>CHANGE FROM YTD 2007-08 TO YTD 2008-09</b>	<b>PERCENT CHANGE</b>
<b>REVENUES</b>					
PROPERTY TAXES	2,738,303	2,659,546	2,836,483	176,937	6.7%
INTEREST	145,000	132,489	133,098	609	0.5%
OTHER REVENUES	73,000	81,125	56,975	(24,150)	-29.8%
<b>TOTAL OPERATING REVENUE</b>	<b>2,956,303</b>	<b>2,873,160</b>	<b>3,026,556</b>	<b>153,396</b>	<b>5.3%</b>
<b>EXPENDITURES</b>					
STAFFING	172,353	211,341	172,398	(38,943)	-18.4%
INTERDEPARTMENTAL SERVICES	111,550	94,893	111,550	16,657	17.6%
RENTALS & LEASES	108,610	149,499	86,459	(63,040)	-42.2%
DEBT EXPENSE	1,891,793	1,695,300	1,612,000	(83,300)	-4.9%
CAPITAL OUTLAY	212,130	846,178	12,130	(834,048)	-98.6%
OUTSIDE SERVICES, MAINT & MISC	231,372	87,431	78,928	(8,503)	-9.7%
<b>TOTAL OPERATING EXPENDITURES</b>	<b>2,727,808</b>	<b>3,084,642</b>	<b>2,073,465</b>	<b>(1,011,177)</b>	<b>-32.8%</b>
<b>TOTAL OPERATING REVENUES OVER EXPENDITURES</b>	<b>228,495</b>	<b>(211,482)</b>	<b>953,091</b>	<b>1,164,573</b>	<b>550.7%</b>

**Revenues**

- Assessed values for the year increased by 4.4% in the Village Redevelopment Area. The larger increase was the result of increased supplemental taxes.
- Although the average daily cash balance for the year increased by 31%, a 16.3% decrease in the yield on the Treasurer's portfolio partially offset this increase in interest revenues.
- A drop in rental revenue from the cancellation of the Sowing Sisters lease impacted other revenues.

**Expenditures**

- A change in the allocation of staff salaries, and a reduction in workers' compensation charges and management incentive pay, accounted for the decrease in staffing expenditures.
- Higher interdepartmental charges are the result of increased miscellaneous interdepartmental charges. These charges represent services performed for the Agency by the City's General Fund.
- The Agency discontinued a parking lot lease during the current fiscal year as reflected in the reduction in rental and lease expenditures.
- A lower average interest rate for the year applied to prior years advances from the General Fund, resulted in a reduction in debt expense.
- The majority of the capital outlay expenditures in the previous fiscal year were related to the Senior Center expansion.
- During the previous fiscal year, the Agency was finishing a downtown village retail analysis and revitalization project, as well as performing a design standards review, as reflected in the reduction in outside services, maintenance and miscellaneous expenditures.

Higher than expected property taxes, delaying the budgeted ERAF payment until next fiscal year and the delay in two capital projects led to the higher than anticipated surplus for the fiscal year.